

Shareholder Concentration

SHAREHOLDER CONCENTRATION REPORT INCLUDES

- **Product** – name of the fund or investment instrument and the associated CUSIP identifier
- **Shares Outstanding** – total shares in the product as of the proxy record date
- **Firm Name** – name of the bank or broker
- **Number of accounts** – total number of accounts held by the firm in the fund
- **Number of Shares** – total number of shares held by the firm in the fund
- **Total Assets** – total assets held by the firm in the fund
- **Total Ownership** – the total ownership percent held by the firm
- **Average Ownership** – the average account size held by the firm in the fund
- **Ownership Threshold Flag** – Identifies banks or brokers that have over a 10% ownership

ASSESSMENT SERVICES

The SEC has enacted two rules that require fund companies to evaluate and monitor risks to funds based on shareholder concentration.

- **SEC Rule 2-01 Auditor Independence:** Requires companies to determine whether an auditor is independent regarding investments of auditors or their family members in audit clients.
- **SEC 22e-4 Liquidity Rule:** Requires management investment companies to establish a liquidity risk management program.

Broadridge's Shareholder Concentration Assessment Services help the client meet their fiduciary obligations to ensure auditor independence and liquidity risk monitoring.

SEC RULE 2-01 ON AUDITOR INDEPENDENCE

The Securities and Exchange Commission's rule regarding auditor independence has placed an onus on fund companies to determine whether an auditor is independent regarding investments made by auditors or their family members in audit clients. When a fund goes to proxy with a trustee election, or to appoint an auditor, they are required to disclose any shareholder entity that owns 10% or more of a fund. The regulation is designed to ensure that an auditor presents no conflict of interest by not holding more than 10% of a fund. The reporting coincides with the proxy record date and applies across beneficial and registered shareholders.

SEC RULE 22E-4 ON LIQUIDITY

The Securities and Exchange Commission's rule regarding liquidity will be in effect on December 1st, 2018. The rule imposes large account risk analysis and monitoring on the fund company. The monitoring focuses on account size versus cash on hand/liquid investments. The rule addresses conflicts of interest by prohibiting portfolio managers from running liquidity programs themselves.

ASSESSMENT PROCESS

Broadridge's Shareholder Concentration Assessment Services start with the collection of data to assess the shareholder concentration. For auditor independence, Broadridge collects the proxy response data from banks and brokers for the beneficial shareholders and, if subscribed to, the registered shareholders. When registered shareholder information is not available, the client has the option to provide a file of registered shareholders from the transfer agent (TA) system matching the position date of the proxy event. For liquidity monitoring and

other uses, Broadridge will use a combination of Broadridge's proprietary monthly 560 file and the registered shareholders from the transfer agent.

Once the data is collected, it is loaded into the assessment system and an ownership percentage for each account is calculated. Broadridge will then roll up the data by product and bank or broker to identify the number of accounts that have over a 10% ownership in a fund. Finally, the assessment identifies each bank or broker that has reached a 10% ownership stake in total.

CLIENT REQUIREMENTS AND PARTICIPATION

To calculate an accurate ownership percentage, the client must provide a total share count of each fund covered in the proxy event to coincide with the event record date. If the client is providing a full TA feed for inclusion of the direct shareholder accounts, then this will suffice in place of the share count. Work cannot begin until these data elements are received.

SHAREHOLDER CONCENTRATION REPORT

The shareholder concentration report is produced from results of the assessment and shows each bank or broker ownership levels, highlighting any that have greater than a 10% total ownership. The report will give the client enough insight to request details from a bank or broker to validate that no individual shareholder has greater than a 10% ownership in a fund.

REPORT DELIVERY:

The Auditor Independence Report will be delivered within 10 business days following the date in which the last data file is received from either the banks or brokers, or from the client (for client-supplied data). The Auditor Independence Report is delivered in PDF format.

Broadridge Shareholder Concentration Assessment Report

This report represents the ownership assessment of the beneficial and registered mailings of the given record date. Broadridge receives and reports upon those data elements made available and received from the third party data sources outlined within. Data source files may contain limited data elements available from financial intermediary record-keeping platform providers. Broadridge will only report on information provided in the data source files, and is only responsible for accurately processing and reporting data received by the financial intermediary.

Ownership Highlights:

Total brokers with over 10% ownership: 2

Total accounts with over 10% ownership: 1

Proxy Event: [Sample Report](#)

Record Date: **July 2017**

Fund Name: Bruckner Growth Fund

CUSIP: BRKNR9999

Shares

Outstanding: 808,448,720.229

Broker	Accounts	Shares	Assets	Accounts > 10%	Total Ownership	Average Ownership
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORAT	1,627	272,357,906.000	\$2,715,408,322.82	1	33.7%	0.00%
NATIONAL FINANCIAL SERVICES LLC	571	93,051,215.000	\$957,497,002.35	0	11.5%	0.00%
NATIONAL FINANCIAL SERVICES LLC	411	69,419,193.000	\$692,109,354.21	0	8.6%	0.00%
CHARLES SCHWAB & CO., INC.	138	46,540,371.564	\$464,007,504.49	0	5.8%	0.00%
MORGAN STANLEY SMITH BARNEY	377	42,820,858.000	\$426,923,954.26	0	5.3%	0.00%
CHARLES SCHWAB & CO., INC.	320	34,195,110.130	\$351,867,683.24	0	4.2%	0.00%
PERSHING LLC	232	32,500,317.046	\$324,028,160.95	0	4.0%	0.00%
UBS FINANCIAL SERVICES INC.	236	31,136,887.000	\$310,434,763.39	0	3.9%	0.00%

Broadridge, a global fintech leader with over \$8 billion in market capitalization, provides communications, technology, data and analytics solutions. We help drive business transformation for our clients with solutions for enriching client engagement, navigating risk, optimizing efficiency and generating revenue growth.

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